Office of the Superintendent of Financial Institutions Canada

Bureau du surintendant des institutions financières Canada

# Office of the Superintendent of Financial Institutions

2017–18

**Departmental Plan**

The Honourable William Francis Morneau, P.C., M.P.
Minister of Finance

OSFI
BSIF

Canada

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# Superintendent's Message

The Office of the Superintendent of Financial Institutions (OSFI) 2017–18 Departmental Plan provides parliamentarians and Canadians with information on what we do and the results we are trying to achieve during the upcoming year. To improve reporting to Canadians, we are introducing a new, simplified report to replace the Report on Plans and Priorities.

The title of the report has been changed to reflect its purpose: to communicate our annual performance goals and the financial and human resources forecast to deliver those results. The report has also been restructured to tell a clearer, more straightforward and balanced story of the actual results we are trying to achieve. The report's format continues to present clearly how our funds will be spent, should they be taxpayers' dollars in the case of services provided by the Office of the Chief Actuary or federally regulated financial institutions (FRFI) and private pension plans' money for OSFI's regulatory and supervisory activities.

OSFI's mandate is to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks.

Our strategic outcomes are supported by our plans and priorities and we remain guided by our five compass points: we are results-oriented; we are principles-based; we are risk-based; we take a balanced approach; and we set the benchmark for prudential regulation and supervision. A properly functioning financial system is essential to Canada's economic performance.

Over the course of the 2017-2020 planning period, OSFI will continue to devote the majority of its efforts to implementing its core mandate in a way that contributes to public confidence in the Canadian financial system.

OSFI will focus on the following five priorities:

- Tighten the link between effort at OSFI and results in the field
- Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system
- Reinforce our principles-based guidance and supervision
- Influence international guidance, standards and reforms with a view to implementing them in the context of what is best for Canada
- Set and meet high standards for managing our own resources

I am confident that, guided by our mandate and plans, and supported by our strong relationships with the other financial sector agencies of the Government of Canada, namely the Bank of Canada, the Department of Finance, the Financial Consumer Agency of Canada and the Canada Deposit Insurance Corporation, we will continue to build on our strong record of success. OSFI's employees have the expertise and capacity to deliver on this year's ambitious plan, just as they have done in the past.

## Plans at a glance

### Priority A: Tighten the link between effort at OSFI and results in the field

OSFI will continue to enhance its practices and their consistency across like institutions so that supervisory efforts effectively support improvements to the mitigation of risks by FRFIs. Key objectives related to this priority include:

- Improving consistency of supervisory decisions across like institutions and the timeliness of follow-up of supervisory recommendations;
- Enhancing OSFI's ability to assess how risk culture and other drivers of behaviour support or undermine effective risk management across a range of institutions; and
- Completing a comprehensive review of OSFI's supervisory processes and implementing the updated supervisory methodology and processes with effective and efficient enabling technology.

### Priority B: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system

OSFI will emphasize the early identification of the risks stemming from the economy, financial system and the broader environment to proactively enhance its prudential guidance and ensure that financial institutions are well positioned to operate through periods of stress and in a rapidly changing environment. Key objectives related to this priority include:

- Enhancing OSFI's prudential guidance so that it will encourage financial institutions to position themselves to operate through periods of stress (e.g., guidance on encumbrance limits, solo capital and the implementation of "bail-in" requirements);
- Deepening OSFI's understanding of risk factors arising outside of OSFI's direct responsibilities (e.g., financial technologies, shadow banking, reinsurance, securities financing) and adjusting OSFI's prudential expectations accordingly;
- Articulating OSFI's tolerance for risk and how the allocation of regulatory and supervisory resources will be guided by that tolerance;
- Enhancing OSFI's ability to identify, analyze and respond to macroeconomic and geopolitical uncertainty; and
- Re-examining OSFI's role in, and approach to, enhancing cyber security at Canadian financial institutions.

### Priority C: Reinforce our principles-based guidance and supervision

OSFI will continue to reinforce principles rather than rules-based guidance and supervision. This will provide FRFIs and private pension plans with flexibility to meet expectations in ways that are commensurate with their complexity, size and business model, thereby contributing to

effective prudential regulation while minimizing compliance costs for institutions and plans. A key objective related to this priority is:

- Reviewing OSFI's oversight requirements to ensure that prudential expectations and guidance are principles-based wherever possible and do not inadvertently encourage a rules-based approach to implementation.

### Priority D: Influence international guidance, standards and reforms with a view to implementing them in the context of what is best for Canada

OSFI will continue to actively participate in the development of international guidance and standards and ensure that proposed reforms support the stability of Canada's financial system while allowing Canadian financial institutions of varying size and complexity to compete and to take reasonable risks. Key objectives related to this priority include:

- Actively participating in the development of international prudential and accounting standards and implementing those standards in Canada in a way that promotes financial stability in Canada and takes account of Canadian business models; and
- Enhancing OSFI's ability to scale expectations to the size and complexity of the institutions.

### Priority E: Set and meet high standards for managing our own resources

OSFI will continue to set high standards for the management of its employees, systems, information and financial resources and will closely monitor its performance to ensure that those standards are met. Key objectives related to this priority include:

- Supporting employee effectiveness and career development through the provision of high quality training opportunities and a talent management program;
- Continuing to build OSFI's information management capacity and further enhancing regulatory data management while ensuring information is well protected from external and internal threats; and
- Strengthening OSFI's ability to implement internal organizational and system changes and to respond to new priorities while minimizing disruption and maintaining fiscal discipline.

For more information on OSFI's plans, see the "Planned results" section of this report.

# Raison d'être, mandate and role: who we are and what we do

## Raison d'être

The Office of the Superintendent of Financial Institutions (OSFI) was established in 1987 by an Act of Parliament: the Office of the Superintendent of Financial Institutions Act. It is an independent agency of the Government of Canada and reports to Parliament through the Minister of Finance.

OSFI supervises and regulates all banks in Canada and all federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations, fraternal benefit societies and private pension plans. OSFI's mandate does not include consumer-related issues or the securities industry.

The Office of the Chief Actuary, which is an independent unit within OSFI, provides actuarial valuation and advisory services for the Canada Pension Plan, the Old Age Security program, the Canada Student Loans and Employment Insurance Programs and other public sector pension and benefit plans.

## Mandate and role

OSFI was created to contribute to public confidence in the Canadian financial system.

Under its legislation, OSFI's mandate is:

**Fostering sound risk management and governance practices**
OSFI advances a regulatory framework designed to control and manage risk.

**Supervision and early intervention**
OSFI supervises federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting regulatory and supervisory requirements.

OSFI promptly advises financial institutions and pension plans if there are material deficiencies, and takes corrective measures or requires that they be taken to expeditiously address the situation.

**Environmental scanning linked to safety and soundness of financial institutions**
OSFI monitors and evaluates system-wide or sectoral developments that may have a negative impact on the financial condition of federally regulated financial institutions.

**Taking a balanced approach**

OSFI acts to protect the rights and interests of depositors, policyholders, financial institution creditors and pension plan beneficiaries while having due regard for the need to allow financial institutions to compete effectively and take reasonable risks.

OSFI recognizes that management, boards of directors and pension plan administrators are ultimately responsible for risk decisions and that financial institutions can fail and pension plans can experience financial difficulties resulting in the loss of benefits.

In fulfilling its mandate, OSFI supports the government's objective of contributing to public confidence in the Canadian financial system.

The Office of the Chief Actuary is an independent unit within OSFI that provides a range of actuarial valuation and advisory services to the Government of Canada (see Program 2.1 on page 24 for further detail).

For more general information about OSFI, see the "Supplementary information" section of this report. For more information on organizational mandate letter commitments, see the Minister's mandate letter[1] on the Prime Minister of Canada's website.[i]

[1] Note that OSFI is an agency of the Government of Canada and reports to Parliament through the Minister of Finance. The Minister's mandate letter focuses on priorities within the Finance portfolio but does not directly link to OSFI's priorities.

## Operating context: conditions affecting our work

In recent years, the Canadian economic environment has been characterized by low interest rates which have led to historically high levels of household debt. These conditions, as well as weakness in longer run economic growth may persist over the planning horizon of this Departmental Plan. The combination of higher leverage and slower growth, along with rapid price increases in some major housing markets, more prominent geopolitical uncertainty, and potential trade frictions, could lead to a more vulnerable economic setting in Canada. In this environment, adverse events such as a recession in a major trading partner, or an increase in interest rates, may have a more significant unfavourable impact on Canadian financial institutions than experienced in the past.

Cyber-risk remains a key concern and is elevated by the trend to greater reliance on financial technologies. This has led OSFI to increase its focus on ensuring that regulatory and supervisory processes are effective in detecting and assessing risks and in supporting their effective management.

Within the above context, OSFI has established priorities and plans for supervising and regulating financial institutions and private pension plans that strive to enhance their resilience to adverse conditions and prolonged periods of stress.

Operating within the broader Government of Canada context, OSFI continues to participate in a number of shared services and harmonization initiatives that form part of its plans for the upcoming years.

# Key risks: things that could affect our ability to achieve our plans and results

## Key risks

| Risks | Risk response strategy | Link to the department's Programs | Link to mandate letter commitments or to government-wide and departmental priorities |
|---|---|---|---|
| **Macroeconomic and geopolitical uncertainty**<br><br>There is a risk that OSFI may not promptly identify the causes and consequences of financial contagion (i.e., the spread of financial disturbances from one country to others) stemming from global political and economic events and as a result will not be in a position to respond to them in a preventive or timely manner. | OSFI will continue to pursue actions in an effort to mitigate contagion effects of events in other jurisdictions on FRFIs. These include:<br>• Actively monitoring changes in portfolios and investigating the underlying reasons for each change and determining the risks to FRFIs.<br>• Continuing to be proactive in building relations with foreign authorities. | Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions | OSFI Priority 2: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system. |
| **Financial industry advancement**<br><br>There is a risk that OSFI may not keep pace with advancements/development in the financial industry. | OSFI has a number of actions underway or planned to address developments in the industry. These include:<br>• Working proactively to enhance OSFI's understanding of the shadow market in Canada, including the identification of potential systemic risks and potential gaps in regulatory oversight.<br>• Assessing trends through the quarterly monitoring of changes in FRFIs investment portfolios, pricing and reserving practices, and identifying risk issues that need to be addressed.<br>• Undertaking an in-house | Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions | OSFI Priority 2: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system. |

| | | | |
|---|---|---|---|
| | review of developments in the area of financial technology to determine the implications and risks for financial institutions (FIs). | | |
| **FI cyber-security vulnerability**<br><br>There is a risk that OSFI may not respond effectively to cyber threats to Canadian FIs or to a major cyber-security incident. This could impact OSFI's ability to support the resilience of FIs. | OSFI is re-thinking its overall role and approach to FRFI assessment as it relates to FI cyber-vulnerability in line with the broader cyber-security GC-wide review. In this context, OSFI has a number of actions in progress.<br>• Following-up on FRFIs' responses to the cyber self-assessment, distributed denial of service preparedness, cyber security, IT governance and risk management reviews.<br>• Collaborating with government and industry forums (e.g., G-7 Cyber Security Expert Group, Office of the Comptroller of the Currency (OCC), U.S. Federal Reserve, and the Senior Supervisors Group). Reviewing outsourcing and supplier risk management.<br><br>In addition, OSFI will devote efforts to the following work:<br>• Reviewing and following-up on breaches or service disruption threats and discussing key issues with the FRFIs, including their board and risk committee.<br>• Conducting cyber-security reviews of a select number of FRFIs across sectors to determine whether appropriate programs are in place to address cyber-security exposures. | Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions | OSFI Priority 2: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system. |

In order to achieve its mandate and objectives, OSFI seeks to mitigate risks posed by economic, financial and other environment factors that may affect its operations or the FIs and pension plans it oversees. While many of these risks are continuously present, the extent to which they pose a threat to the interests of regulated entities and OSFI or the extent to which OSFI can further mitigate the risks varies over time.

Although OSFI has identified three areas of focus for its risk management efforts, it continues to monitor and support the resilience of FRFIs to a number of sources of systemic vulnerability that are expected to remain, including continuing low interest rates, the growing levels of household indebtedness, and the ongoing global financial uncertainty.

As well, OSFI continues to devote resources to the management of its internal risks that could affect its ability to deliver on its plans, with a focus on developing employees to their full potential, managing organizational changes effectively, and further strengthening information management and security.

# Planned results: what we want to achieve this year and beyond

## Programs

### Description

This program involves regulating and supervising federally regulated financial institutions (FRFI) to determine whether they are in sound financial condition and are complying with their governing laws and supervisory requirements; monitoring the financial and economic environment to identify issues that may impact these institutions negatively; and intervening in a timely manner to protect depositors and policyholders from undue loss, while recognizing that management and boards of directors are ultimately responsible, and that financial institutions can fail.

Costs for this program are recovered through base assessments and user fees and charges paid by the federally regulated financial institutions covered under the Bank Act, Trust and Loan Companies Act, Insurance Companies Act, Green Shield Canada Act, Protection of Residential Mortgage or Hypothecary Insurance Act and Cooperative Credit Associations Act. The Office of the Superintendent of Financial Institutions also receives revenues for cost-recovered services to provinces, for which it provides supervision of their institutions on a fee for service basis.

### Planning highlights

The Regulation and Supervision of Federally Regulated Financial Institutions program is risk-based and will continue to be focused on ensuring that OSFI's efforts lead to the effective identification and response to risks to the Canadian financial system, and on reinforcing principles-based guidance and supervision. In doing so, OSFI will continue to ensure that an effective supervisory and regulatory framework is in place, focused on contributing to public confidence in the Canadian financial system and protecting the rights and interests of depositors and policyholders. OSFI will also continue to participate in the development of international guidance and standards, ensuring that reforms support the stability of Canada's financial system and are implemented in the context of what is best for Canada.

While OSFI exceeded all its performance targets for this program in recent years, it continues to adjust its plans to maintain performance as the Canadian financial services industry evolves.

### Planned results

| Expected results | Performance indicators | Target | Date to achieve target | 2013–14 Actual results | 2014–15 Actual results | 2015–16 Actual results |
|---|---|---|---|---|---|---|
| Depositors and policyholders are protected while recognizing that all failures cannot be prevented. | Percentage of estimated recoveries on failed institutions (percentage recovered per dollar of claim) | 90% | March 31, 2018 | 100% | 100% | 100% |
| | Percentage of institutions with a Composite Risk Rating of low or moderate. | 80% | March 31, 2018 | N/A[2] | 91% | 94% |
| OSFI's regulatory and supervisory framework is consistent with international standards. | Percentage of assessment programs which deem OSFI's regulatory and supervisory framework as being consistent with international standards. | 100% | March 31, 2018 | N/A[3] | 100% | 100% |

## Budgetary financial resources (dollars)

| 2017–18 Main Estimates | 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|---|
| 81,253,463 | 81,253,463 | 82,859,566 | 84,306,658 |

## Human resources (full-time equivalents)

[2] This performance indicator was not measured in this form in 2013-14.

[3] This performance indicator was not used in 2013-14.

| 2017–18<br>Planned full-time equivalents | 2018–19<br>Planned full-time equivalents | 2019–20<br>Planned full-time equivalents |
|---|---|---|
| 421 | 421 | 424 |

## Sub-Program 1.1.1: Risk Assessment and Intervention

### Description

OSFI regulates and supervises financial institutions to determine whether they are in sound financial condition and are complying with their governing statute law and supervisory requirements. This program involves the administration and application of an effective supervisory process to assess the safety and soundness of regulated financial institutions by evaluating an institution's risk profile, financial condition, risk management processes, and compliance with applicable laws and regulations. This program includes activities to monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues; and intervene on a timely basis when a financial institution's business practices may be imprudent or unsafe, by exercising supervisory powers to take, or require management or boards to take, necessary corrective measures to protect depositors and policy holders.

### Planning highlights

OSFI's Risk Assessment and Intervention sub-program will focus on enhancing supervisory processes through the development and implementation of common supervisory services and improved enabling technology. In addition, OSFI will continue to foster the application of a risk tolerance perspective to guide its level of regulatory and supervisory intensity and will pursue the implementation of training initiatives to augment the skills and knowledge of supervisors.

Risk Assessment and Intervention supports the Regulation and Guidance sub-program through the roll-out and monitoring of new guidance and standards for FRFIs. OSFI is continuing the implementation of a new capital standard for life insurers (LICAT), which will result in improved overall quality of available capital and greater risk sensitivity and measurement. OSFI will be reviewing reinsurance counterparty credit and other risks resulting from the use of unregistered reinsurance along with other reinsurance practices and innovations and will continue its work on the refinement of the capital framework for mortgage default insurance, following initial implementation of the new standard on January 1, 2017.

The monitoring of FRFIs' cyber-security programs will continue to be a priority for OSFI, with a cross-system review planned for 2017.

Over the planning period, OSFI will devote resources to identifying and analyzing financial technology developments that could not only be disruptive to FRFIs, but could also affect the way OSFI regulates and supervises institutions. Deliverables will include changes to supervisory approaches, informed by sound practices to be issued by the Basel Committee on Banking Supervision's Task Force on Financial Technology in 2017.

OSFI will also focus on improving its understanding of developments in the shadow banking sector in Canada in order to identify potential systemic risks from shadow banking activities and their interconnectedness with FRFIs, as well as to address potential gaps in regulatory policies and oversight. OSFI will participate in the annual FSB Shadow Banking information sharing exercise.

OSFI will seek to enhance its ability to assess the relationship between risk culture and effective risk management. Ongoing supervisory review and monitoring work will support OSFI's assessments of FRFIs' controls to manage risks. OSFI will continue to participate in recovery and resolution planning activities for banks and life insurance companies. This year, OSFI will seek to improve stress testing capabilities both internally and in FRFIs, thereby increasing the value of stress testing as a supervisory and risk management tool.

These efforts will continue to contribute to reaching or exceeding established performance targets.

### Planned results

| Expected results | Performance indicators | Target | Date to achieve target | 2013–14 Actual results | 2014–15 Actual results | 2015–16 Actual results |
|---|---|---|---|---|---|---|
| Issues in institutions are identified and acted on at an early stage | Percentage of (financial institutions) supervisory rating increases[4] that are two or more levels within any | 20% | March 31, 2018 | N/A[5] | 0% | 0%[6] |

[4] Supervisory ratings are aligned with the risk profile of institutions and range from 0 (normal) to 4 (non-viable/insolvency imminent). Significant increases in ratings, as opposed to progressive ones, can signal issues with the timeliness or effectiveness of OSFI supervisory efforts.

[5] This performance indicator was not measured in this form in 2013-14.

[6] Any supervisory rating increases that are two or more levels within a rolling three month period may indicate that risk assessment and/or intervention activities were not timely. As such, a result of 0% exceeds the target (i.e., tolerance) of 20%.

| | | | | | | |
|---|---|---|---|---|---|---|
| | rolling three month period. | | | | | |
| | Percentage of supervisory letters that are issued within established standards. | 80% | March 31, 2018 | 77% | 89% | 90% |

Budgetary financial resources (dollars)

| 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|
| 57,925,073 | 58,977,285 | 59,963,086 |

Human resources (full-time equivalents)

| 2017–18 Planned full-time equivalents | 2018–19 Planned full-time equivalents | 2019–20 Planned full-time equivalents |
|---|---|---|
| 303 | 303 | 305 |

## Sub-Program 1.1.2: Regulations and Guidance

### Description

This program involves advancing and administering a regulatory framework of rules and guidance that promotes the adoption by regulated financial institutions of sound risk management practices, policies and procedures designed to plan, direct and control the impact on the institution of risks arising from its operations.

This program includes the issuance of various forms of guidance, which may include guidelines and advisories as well as input into federal legislation and regulations affecting financial institutions; contributions to accounting, auditing and actuarial standards; and involvement in a number of international regulatory activities.

**Planning highlights**

OSFI's Regulation and Guidance sub-program ensures that the overall regulatory framework remains effective and responsive by developing or supporting the issuance of new or revised rules or guidance that consider domestic and international developments.

OSFI implemented completely new and more risk-based capital requirements for life insurers and mortgage insurers in 2016. Over the next few years, OSFI will assess the implementation of these new capital frameworks and use this information to guide its work on additional enhancements. Regarding capital adequacy for insurance companies, OSFI is committed to further refining the new capital regime for life insurers in the area of capital requirements for segregated fund guarantees and by implementing International Financial Reporting Standards changes. OSFI will continue its work on the development of criteria for permitting the use of internal models for regulatory capital purposes for property and casualty insurers and will continue to work on enhancements to the recently implemented more risk-based capital framework for mortgage default insurance.

OSFI will undertake several initiatives related to capital adequacy for deposit-taking institutions, including: continuing work on implementation of Basel III standards for capital, leverage, liquidity, structural interest rate risk, and market risk. In addition, the stand alone capital framework will be finalized and expectations will be incorporated into OSFI's Supervisory Framework.

OSFI will also continue its work in areas such as asset encumbrance and Total Loss Absorbing Capacity (TLAC) requirements, both of which help to support the viability of financial institutions.

In the area of corporate governance, OSFI will complete its comprehensive review of the expectations it has of boards of directors of FRFIs. This will result in adjustments to the Corporate Governance Guideline as well as regulatory requirements for boards that are currently contained in other OSFI guidance. The objective of this initiative is to ensure more effective prudential oversight by boards without impeding their ability to fulfill their responsibilities. This will be accomplished by clarifying OSFI's expectations, thereby making boards more accountable for setting their oversight agendas.

At the international level, OSFI will continue to actively participate in the development of global capital standards for banks and for insurers and in foreign Regulatory Consistency Assessment Programmes to establish liquidity rules that are consistently applied in all jurisdictions.

OSFI will continue to pursue a risk-based approach that is sensitive to the size and complexity of smaller institutions. Where appropriate, OSFI's published guidance and its supervisory practices will be implemented in a manner that is appropriate to smaller institutions.

These efforts will contribute to reaching or exceeding established performance targets.

### Planned results

| Expected results | Performance indicators | Target | Date to achieve target | 2013–14 Actual results | 2014–15 Actual results | 2015–16 Actual results |
|---|---|---|---|---|---|---|
| Stakeholders are of the opinion that guidance is updated in a timely manner in response to market changes and/or industry suggestions. | Percentage of industry stakeholders who rate OSFI as good or very good at responding in a timely manner to market changes or to industry suggestions that guidance need updating. | 75% | March 31, 2018 | 69% (Source: 2012 Financial Institutions Survey (FIS)) | 77% (Source: 2014 FIS) | 77% (Source: 2014 FIS) |
| OSFI's expectations are communicated effectively in guidance to stakeholders. | Percentage of industry stakeholders that rate OSFI's guidance as somewhat or very effectively indicating OSFI's expectations. | 75% | March 31, 2018 | 93% (Source: 2012 FIS) | 85% (Source: 2014 FIS) | 85% (Source: 2014 FIS) |
| Industry is consulted on the development of guidance. | Percentage of industry stakeholders that rate OSFI as good or very good at consulting with industry on the development of guidance. | 70% | March 31, 2018 | 68% (Source: 2012 FIS) | 79% (Source: 2014 FIS) | 79% (Source: 2014 FIS) |

### Budgetary financial resources (dollars)

| 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|
| 18,717,291 | 19,159,139 | 19,532,175 |

Human resources (full-time equivalents)

| 2017–18 Planned full-time equivalents | 2018–19 Planned full-time equivalents | 2019–20 Planned full-time equivalents |
|---|---|---|
| 89 | 89 | 90 |

## Sub-Program 1.1.3: Approvals and Precedents

### Description

Federally regulated financial institutions are required to seek regulatory approval for certain types of transactions. This program involves evaluating and processing applications for regulatory consent; establishing positions on the interpretation and application of the federal financial institutions' legislation, regulations and guidance; identifying precedential transactions that may raise policy or precedent-setting issues; and developing recommendations that recognize the need to allow institutions to compete effectively and take reasonable risk.

### Planning highlights

Over the planning period, the Approvals and Precedents sub-program will focus on ensuring that OSFI's review of applications to establish new FRFIs (i.e., "new entry") is sensitive to the size and complexity of the proposed new FRFIs. There continues to be a high degree of interest in new entry, including the regime for federal credit unions that came into force in December 2012. The Approvals and Precedents sub-program will also evaluate recent new entry process changes to determine if further adjustments, including updated guidance, may be required.

Planned results

| Expected results | Performance indicators | Target | Date to achieve target | 2013–14 Actual results | 2014–15 Actual results | 2015–16 Actual results |
|---|---|---|---|---|---|---|
| Decisions on regulatory approvals are transparent and timely. | Percentage of industry stakeholders that understand somewhat or very well the basis upon which OSFI makes its decisions as part of the | 85% | March 31, 2018 | 87% (Source: FIS 2012) | 88% (Source: 2014 FIS) | 88% (Source: 2014 FIS) |

| | | | | | | |
|---|---|---|---|---|---|---|
| | approval process. | | | | | |
| | Percentage of completed applications for FI regulatory approvals that are processed within established standards. | 90% | March 31, 2018 | 97% | 99% | 98% |

Budgetary financial resources (dollars)

| 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|
| 4,611,099 | 4,723,142 | 4,811,397 |

Human resources (full-time equivalents)

| 2017–18 Planned full-time equivalents | 2018–19 Planned full-time equivalents | 2019–20 Planned full-time equivalents |
|---|---|---|
| 29 | 29 | 29 |

## Program 1.2: Regulation and Supervision of Federally Regulated Private Pension Plans

### Description

This program involves regulating and supervising federally regulated private pension plans to determine whether they are meeting minimum funding requirements and are complying with their governing laws and supervisory requirements. This program provides risk assessments of pension plans covering employees in federally regulated areas of employment. It ensures timely and effective intervention and feedback to protect the interests of plan members and beneficiaries, while recognizing that plan administrators are ultimately responsible and that plans can fail to pay the expected benefits. This program also provides a balanced, relevant regulatory framework and a prudentially effective and responsive approvals process.

This program incorporates activities pertaining to risk assessment and intervention, regulation and guidance, and approvals and precedents related to federally regulated private pension plans under the Pension Benefits Standards Act, 1985 and the Pooled Registered Pension Plans Act. The costs for this program are recovered from pension plan fees based on the number of members in each federally regulated pension plan.

**Planning highlights**

A key priority of the Regulation and Supervision of Federally Regulated Private Pension Plans program will be to implement measures to fulfill OSFI's responsibilities with respect to the regulation and supervision of Pooled Registered Pension Plans, including additional responsibilities assigned to OSFI under the Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans. OSFI will also continue to review, and adjust as appropriate, supervisory approaches applicable to defined contribution pension plans to ensure appropriate principles-based supervision of these plans.

As noted in the following table, OSFI has exceeded its performance targets for this program in recent years. Efforts will continue to be made in order to reach or exceed established targets going forward.

Planned results

| Expected results | Performance indicators | Target | Date to achieve target | 2013–14 Actual results | 2014–15 Actual results | 2015–16 Actual results |
|---|---|---|---|---|---|---|
| Issues in plans are identified and acted on at an early stage. | Percentage of (pension plan) supervisory rating increases[7] that are two or more levels within any rolling three month period. | 20% | March 31, 2018 | N/A[8] | One plan had two stage rating increases within a three month period, which represented 7% of all stage rating increases during 2014-15. | 6%[9] |

[7] Supervisory ratings are aligned with the risk profile of pension plans and range from 0 (normal) to 4 (non-viable/insolvency imminent). Significant increases in ratings, as opposed to progressive ones, can signal issues with the timeliness or effectiveness of OSFI supervisory efforts.

[8] This performance indicator was not measured in this form for 2013-14.

[9] Any stage rating increases that are two or more levels within a rolling three month period may indicate that risk assessment and/or intervention activities were not timely. As such, a result of 6% exceeds the target (i.e., tolerance) of 20%.

| | | | | | | |
|---|---|---|---|---|---|---|
| OSFI is perceived as being effective in monitoring and supervising pension plans. | Percentage of industry stakeholders that rate OSFI as "somewhat effective" or "very effective" in monitoring and supervising their pension plan(s). | 75% | March 31, 2018 | 85% (Source: 2011 Pension Plans Survey (PPS)) | 81% (Source: 2014 PPS) | 81% (Source: 2014 PPS) |
| OSFI's expectations are communicate effectively in guidance to stakeholders. | Percentage of industry stakeholders that rate OSFI' guidance as "somewhat effective" or "very effective" in providing an indication of OSFI's expectations. | 75% | March 31, 2018 | 81% (Source: 2011 Pension Plans Survey (PPS)) | 78% (Source: 2014 PPS) | 78% (Source: 2014 PPS) |

## Budgetary financial resources (dollars)

| 2017–18 Main Estimates | 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|---|
| 4,335,253 | 4,335,253 | 4,425,156 | 4,495,019 |

## Human resources (full-time equivalents)

| 2017–18 Planned full-time equivalents | 2018–19 Planned full-time equivalents | 2019–20 Planned full-time equivalents |
|---|---|---|
| 25 | 25 | 25 |

## Program 2.1: Actuarial Valuation and Advisory Services

### Description

The federal government and the provinces, through the Canada Pension Plan (CPP), public sector pension arrangements and other social programs have made commitments to Canadians and have taken on emanated responsibility for the financing of these commitments. Some are long-term and it is important that decision-makers, Parliamentarians and the public understand these and the inherent risks. This program plays a vital and independent role in this process. It provides checks and balances on the future costs of the different pension plans under its responsibilities.

This program provides a range of actuarial services, under legislation, to the CPP stakeholders and several federal government departments. It conducts statutory actuarial valuations of the CPP, Old Age Security (OAS), Employment Insurance (EI) and Canada Student Loans programs, and pension and benefits plans covering the Federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police (RCMP), federally appointed judges, and Members of Parliament.

The Office of the Chief Actuary (OCA) is funded by fees charged for its actuarial valuation and advisory services and by an annual parliamentary appropriation.

### Planning highlights

As part of the OCA's commitment to provide accurate assessments on the future costs of the different pension plans and social programs within its scope of responsibility, the OCA will prepare several statutory reports in 2017-18.

Other projects planned include the publication of several actuarial studies and the completion of the independent peer review of the 27th Actuarial Report on the Canada Pension Plan. The OCA will also continue to provide expert actuarial advice and services to provincial Ministries of Finance and federal government departments such as the Treasury Board Secretariat, Employment and Social Development Canada, the Department of Finance, the Department of Justice, Veterans Affairs Canada, and Public Services and Procurement Canada.

All performance targets have been met in the past. In conducting its work going forward, the OCA will continue to strive to meet or exceed its accuracy, quality, and timeliness targets.

## Planned results

| Expected results | Performance indicators | Target | Date to achieve target | 2013–14 Actual results | 2014–15 Actual results | 2015–16 Actual results |
|---|---|---|---|---|---|---|
| Stewards of Canada's public retirement income system receive accurate, high quality and timely professional actuarial services and advice. | Percentage of members of a panel of three Canadian peer actuaries selected by an international independent body that attest the OCA provides accurate, high quality and professional services and advice. | 100% agreement among all three members of peer review panel | March 31, 2018 | 100% | 100% | N/A[10] |
| | Use of the OCA's work by the Office of the Auditor General (OAG) as an independent evidence for the Public Accounts of Canada. | Confirmation from the OAG | March 31, 2018 | N/A[11] | Confirmation of the use of the OCA's work as independent evidence for Public Accounts of Canada received from the OAG. | Confirmation of the use of the OCA's work as independent evidence for Public Accounts of Canada received from the OAG. |
| | Percentage of reports that are provided to the Minister for tabling in Parliament as per statutory deadlines. | 100% | March 31, 2018 | N/A[12] | 100% | 100% |

## Budgetary financial resources (dollars)

| 2017–18 Main Estimates | 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|---|
| 5,938,078 | 5,938,078 | 6,017,476 | 6,047,852 |

[10] Next peer review findings expected to be published in 2017-18.

[11] This performance indicator was not measured in 2013-14.

[12] Ibid.

Human resources (full-time equivalents)

| 2017–18<br>Planned full-time equivalents | 2018–19<br>Planned full-time equivalents | 2019–20<br>Planned full-time equivalents |
|---|---|---|
| 36 | 36 | 36 |

## Sub-Program 2.1.1: Services to the Canada Pension Plan and Old Age Security Program

### Description

This program involves the preparation of statutory actuarial valuations and providing expert actuarial advice and services on the Canada Pension Plan (CPP) and Old Age Security (OAS) Program. These valuations estimate the financial status of these plans and programs as required by legislation. This program estimates long-term expenditures, revenues and current liabilities of the Canada Pension Plan and estimates long-term future expenditures for Old Age Security programs. Pursuant to the Canada Pension Plan and the Public Pensions Reporting Act, the Office of the Chief Actuary prepares statutory triennial actuarial reports on the financial status of these programs, as required by legislation.

### Planning highlights

In 2017-18, the OCA will be submitting the 14th Actuarial Report on the Old Age Security (OAS) Program as at December 31, 2015 to the Minister of Families, Children and Social Development for tabling in Parliament. The OAS Program is an important pillar of Canada's retirement income system and is financed from Government of Canada general tax revenues. The purpose of this triennial report is to inform the general public of the current and projected financial status of the OAS Program. Many of the assumptions and methodologies developed for the 27th Actuarial Report on the Canada Pension Plan (CPP) as at December 31, 2015 will be used in the Actuarial Report on the OAS Program.

The OCA will assist the federal, provincial and territorial ministers of Finance in conducting CPP triennial review. The CPP is one of the cornerstones of Canada's retirement income system and is financed by contribution revenues and investment returns. Finally, the OCA will begin analyzing the recommendations with respect to future CPP actuarial reports resulting from the completion of the independent peer review of the 27th Actuarial Report on the CPP.

## Planned results

| Expected results | Performance indicators | Target | Date to achieve target | 2013–14 Actual results | 2014–15 Actual results | 2015–16 Actual results |
|---|---|---|---|---|---|---|
| Accurate, high quality and timely actuarial valuations are provided to inform Canada Pension Plan (CPP) and Old Age Security (OAS) stakeholders and Canadians of the current and projected financial status of the Plan and Program. | Percentage of members of a panel of Canadian peer actuaries selected by an international independent body that deem the CPP actuarial valuation accurate and high quality. | 100% | March 31, 2018 | 100% | 100% | N/A [13] |
| | Percentage of recommendations from the previous peer review report and within the scope and influence of the OCA that are implemented before the next peer review. | 80% | March 31, 2018 | Over 80% | In progress. The recommend-ations will be mostly implemented as a part of the work on the 27th CPP Actuarial Report to be completed by December 2016. | Note [14] |
| | Percentage of reports on CPP and OAS that are provided to the Minister for tabling in Parliament as per statutory deadlines. | 100% | March 31, 2018 | N/A [15] | 100% | N/A [16] |

[13] Next peer review findings expected to be published in 2017-18.

[14] As at March 31, 2016, out of eight recommendations, the OCA decided not to implement two. Two recommendations were implemented and the remaining four are in progress and should be completed with the release of the 27th CPP Actuarial Report in 2016-17.

[15] This performance indicator was not measured in 2013-14.

[16] Next statutory deadline for CPP is in 2016-17

Budgetary financial resources (dollars)

| 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|
| 1,748,256 | 1,829,873 | 1,799,493 |

Human resources (full-time equivalents)

| 2017–18 Planned full-time equivalents | 2018–19 Planned full-time equivalents | 2019–20 Planned full-time equivalents |
|---|---|---|
| 13 | 13 | 13 |

## Sub-Program 2.1.2: Services to Public Sector Pension and Insurance Programs

### Description

This program involves the preparation of statutory actuarial valuations of various federal public sector employee pension and insurance plans. These valuations estimate the financial status of these plans as required by legislation. Pursuant to the Public Pensions Reporting Act, this program involves preparing statutory triennial actuarial reports on the financial status of federal public sector employee pension and insurance plans covering the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police (RCMP), the federally appointed judges and Members of Parliament. This program provides actuarial information to decision makers, parliamentarians and the public, thereby increasing transparency and confidence in Canada's retirement income system. It serves the public interest by ensuring good governance of the plans, appropriate disclosure in the actuarial reports and contributing to the overall accountability of the plans sponsor to various stakeholders. This program also involves the provision of sound actuarial advice that assists different government departments in the design, funding and administration of these plans. As part of this program, the Chief Actuary submits the actuarial reports to the President of Treasury Board.

### Planning highlights

In 2017-18, the Actuarial Reports on the Pension Plan for the Members of Parliament as at March 31, 2016, the Pension Plan for the Federally Appointed Judges as at March 31, 2016, the Pension Plan for the Canadian Forces (Regular and Reserve Forces) as at March 31, 2016, and the Regular Force Death Benefit Account as at March 31, 2016 will be submitted to the President of the Treasury Board for tabling before Parliament.

In addition, the OCA will prepare the Actuarial Reports on the Pension Plan for the Public Service of Canada and the Public Service Death Benefit Account as at March 31, 2017. The OCA has an 18 month timeframe from the valuation date to submit these actuarial reports to the President of the Treasury Board for tabling in Parliament.

As part of its ongoing provision of sound actuarial advice, the OCA will assist different government departments such as the Treasury Board Secretariat, Veterans Affairs Canada, National Defense, RCMP, the Department of Justice, and Public Services and Procurement Canada in the design, funding and administration of the plans for which they are responsible.

### Planned results

| Expected results | Performance indicators | Target | Date to achieve target | 2013–14 Actual results | 2014–15 Actual results | 2015–16 Actual results |
|---|---|---|---|---|---|---|
| Accurate, high quality and timely actuarial valuation reports on Public Pension and Insurance Plans are provided to departments to assist with design, funding and administration of the plans. | Percentage of Public Pension and Insurance Plans valuations that are deemed accurate and high quality by an independent actuarial firm. | 100% | March 31, 2018 | 100% | 100% | 100% |
| | Percentage of reports on actuarial valuation of Public Pensions and Insurance Plans that are provided to the President of Treasury Board for tabling in Parliament as per statutory deadlines. | 100% | March 31, 2018 | N/A[17] | 100% | 100% |

### Budgetary financial resources (dollars)

| 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|
| 3,337,795 | 3,326,792 | 3,376,062 |

[17] This performance indicator was not measured in 2013-14.

Human resources (full-time equivalents)

| 2017–18 Planned full-time equivalents | 2018–19 Planned full-time equivalents | 2019–20 Planned full-time equivalents |
|---|---|---|
| 18 | 18 | 18 |

## Sub-Program 2.1.3: Services to the Canada Student Loans and Employment Insurance Programs

### Description

Pursuant to the Canada Student Financial Assistance Act, the Employment Insurance Act, and Department of Employment and Social Development Act this sub-program involves preparing statutory actuarial valuations of the Canada Student Loans Program (CSLP) and performing the statutory actuarial forecasts and estimates necessary to set the Employment Insurance premium rate under Section 66 of the Employment Insurance Act.

### Planning highlights

The Services to the Canada Student Loans and Employment Insurance Programs sub-program involves the conduct of statutory actuarial valuations of various Government of Canada social programs. The OCA will submit, to the appropriate authority, the Inter-valuation Report on the Canada Student Loans Program as at July 31, 2016, the 2018 Employment Insurance Premium Rate Report, the Actuarial Report on the Government Annuities as at March 31, 2017, and the Actuarial Report on the Civil Service Insurance Program as at March 31, 2017.

Planned results

| Expected results | Performance indicators | Target | Date to achieve target | 2013–14 Actual results | 2014–15 Actual results | 2015–16 Actual results |
|---|---|---|---|---|---|---|
| Accurate, high quality and timely actuarial valuation reports on Canada Student Loans Program (CSLP) and Employment Insurance (EI) are | Percentage of reports on actuarial valuation of the CSLP that are used by the Office of the Auditor General (OAG) as an external audit evidence for the Public Accounts of Canada. | 100% | March 31, 2018 | 100% | 100% | 100% |

| | | | | | | |
|---|---|---|---|---|---|---|
| provided to inform stakeholders and Canadians of the future costs and rates for these programs. | Percentage of actuarial reports on CSLP and EI programs that are submitted to the Minister/Employment Insurance Commissioner for tabling in Parliament as per statutory deadlines. | 100% | March 31, 2018 | N/A[16] | 100% | 100% |

## Budgetary financial resources (dollars)

| 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|
| 852,027 | 860,811 | 872,297 |

## Human resources (full-time equivalents)

| 2017–18 Planned full-time equivalents | 2018–19 Planned full-time equivalents | 2019–20 Planned full-time equivalents |
|---|---|---|
| 5 | 5 | 5 |

[18] This performance indicator was not measured in 2013-14.

## Internal Services

### Description

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

### Planning highlights

Over the planning period, OSFI will continue to focus on prudent fiscal management and on monitoring expenses in line with its responsible spending practices.

In addition, OSFI will ensure that employees have the right skills and knowledge necessary to excel in their work and grow their careers. To this end, OSFI will develop and implement a multi-year Human Capital Strategy that will guide the implementation of new human resource policies, programs and initiatives that will contribute to strengthening OSFI's collaborative culture and will focus on leadership development, culture and community building, talent management, and learning and development.

OSFI will plan for and support the transition to new or updated corporate and supervisory systems, including those related to the GC shared services initiatives. The implementation of planned systems and organizational changes will be supported with timely and effective change management practices. As well, OSFI will continue the implementation of its Enterprise Information Management program to enhance the management and protection of OSFI's information assets in compliance with applicable legislation and GC policies and directives.

OSFI will continue to explore ways to advance the governance of data provided by FRFIs and private pension plans and will continue the implementation of its multi-year strategy to enhance cyber-security controls and governance processes to ensure that it remains proactive in protecting the information and IT infrastructure assets in its possession.

In fall 2015 the Government of Canada committed to invest in experimentation to identify new approaches to existing challenges and measure the impact of its programs; the aims of experimentation are to instill a strengthened culture of measurement, evaluation and innovation in program and policy design and delivery. In support of this government-wide initiative, OSFI

will explore options in 2017-18 for identifying and evaluating possible new approaches in fulfilling its supervisory and regulatory mandate, and will report on its objectives in this regard in the 2018-19 Departmental Plan.

## Budgetary financial resources (dollars)

| 2017–18 Main Estimates | 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|---|
| 58,633,533 | 58,633,533 | 59,092,244 | 60,256,146 |

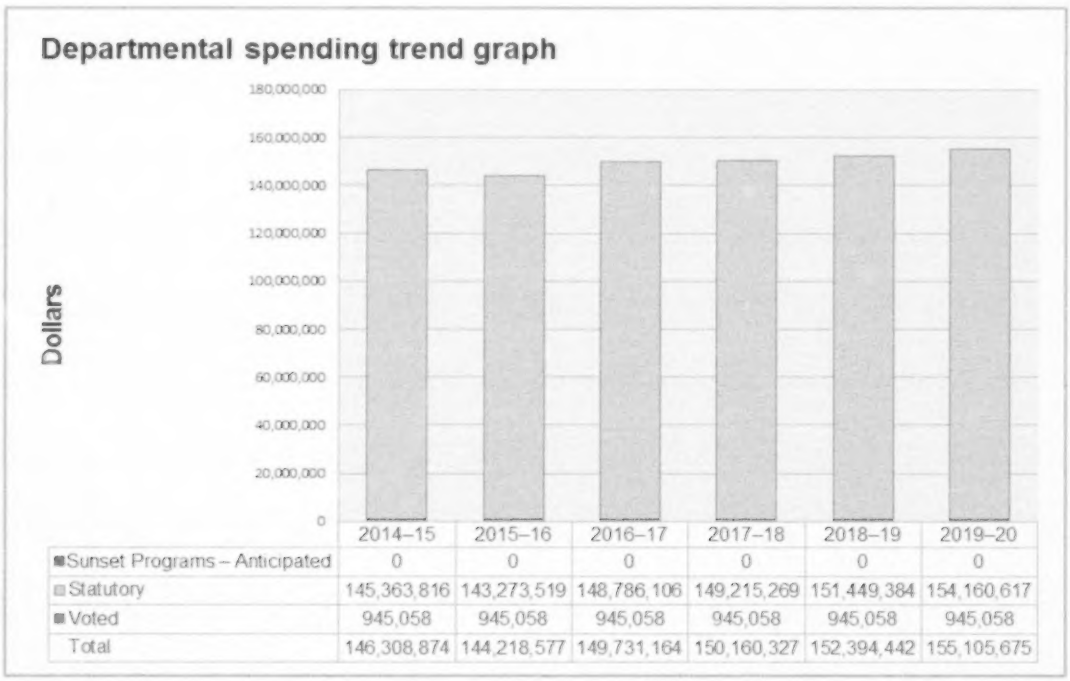
## Human resources (full-time equivalents)

| 2017–18 Planned full-time equivalents | 2018–19 Planned full-time equivalents | 2019–20 Planned full-time equivalents |
|---|---|---|
| 193 | 192 | 194 |

# Spending and human resources

## Planned spending

### Departmental Spending Trend




| | 2014–15 | 2015–16 | 2016–17 | 2017–18 | 2018–19 | 2019–20 |
|---|---|---|---|---|---|---|
| Sunset Programs – Anticipated | 0 | 0 | 0 | 0 | 0 | 0 |
| Statutory | 145,363,816 | 143,273,519 | 148,786,106 | 149,215,269 | 151,449,384 | 154,160,617 |
| Voted | 945,058 | 945,058 | 945,058 | 945,058 | 945,058 | 945,058 |
| Total | 146,308,874 | 144,218,577 | 149,731,164 | 150,160,327 | 152,394,442 | 155,105,675 |

The graph above represents OSFI's actual and planned spending from 2014-15 to 2019-20. Statutory expenditures, which are recovered from respendable revenue[19], represent 99.4% of total expenditures. The remaining 0.6% of OSFI's spending is funded from a Parliamentary appropriation for actuarial services related to federal public sector pension and benefit plans.

OSFI's total spending decreased by 1.4% in 2015-16 largely due to a one-time payment related to the GC's move to an employee compensation model of "pay in arrears" that occurred in 2014-15. The forecast increase of 3.8% in 2016-17 is largely attributed to increases related to

[19] OSFI is funded mainly through risk-based (capital adequacy or capital equivalency measures) or membership-based assessments on the financial institutions and private pension plans that it regulates and supervises, and a user-pay program for legislative approvals and other selected services.

personnel costs for normal merit and economic adjustments, professional services and training costs. In 2017-18 and the two subsequent years, OSFI's total spending is expected to increase slightly as explained in the following section but its staff complement will remain relatively stable.[20]

## Budgetary planning summary for Programs and Internal Services (dollars)

| Programs and Internal Services | 2014–15 Expenditures | 2015–16 Expenditures | 2016–17 Forecast spending | 2017–18 Main Estimates | 2017–18 Planned spending | 2018–19 Planned spending | 2019–20 Planned spending |
|---|---|---|---|---|---|---|---|
| 1.1 Regulation and Supervision of Federally Regulated Financial Institutions | 79,674,770 | 76,831,313 | 77,096,772 | 81,253,463 | 81,253,463 | 82,859,566 | 84,306,658 |
| 1.2 Regulation and Supervision of Federally Regulated Private Pension Plans | 3,944,690 | 3,984,053 | 4,091,259 | 4,335,253 | 4,335,253 | 4,425,156 | 4,495,019 |
| **Subtotal** | 83,619,460 | 80,815,366 | 81,188,031 | 85,588,716 | 85,588,716 | 87,284,722 | 88,801,677 |
| 2.1 Actuarial Valuation and Advisory Services | 5,092,171 | 5,443,559 | 5,492,363 | 5,938,078 | 5,938,078 | 6,017,476 | 6,047,852 |
| **Subtotal** | 5,092,171 | 5,443,559 | 5,492,363 | 5,938,078 | 5,938,078 | 6,017,476 | 6,047,852 |
| Internal Services | 57,597,243 | 57,959,652 | 63,050,770 | 58,633,533 | 58,633,533 | 59,092,244 | 60,256,146 |
| **Total** | 146,308,874 | 144,218,577 | 149,731,164 | 150,160,327 | 150,160,327 | 152,394,442 | 155,105,675 |

OSFI's total expenditures are planned to increase slightly over the planning horizon, mainly due to normal economic and merit adjustments to salary costs in accordance with collective bargaining agreements.

At the program level, the significant variances are as follow:

- Spending in the Regulation and Supervision of Federally Regulated Financial Institutions program decreased by 3.6% in 2015-16, largely due to an increased number of vacant positions and a one-time payment related to the GC's move to an employee compensation model of "pay in arrears" that occurred in 2014-15. Spending in 2016-17 is forecast to

[20] The cost of implementing the new Human Capital Strategy and enabling technology to support OSFI's updated supervisory methodology and processes has not yet been determined and will be reflected in future estimates.

remain consistent with 2015-16, followed by an increase of 5.4% in 2017-18 mainly due to planned economic and merit adjustments in accordance with collective agreements, as well as an increase in the employee benefit rate from 24.9% to 26.5%. OSFI is a cost recovery organization and as such, is charged the full cost of employee benefits.

- Spending in the Regulation and Supervision of Federally Regulated Private Pension Plans program is planned to increase by 6.0% in 2017-18 due to a higher number of vacant positions than expected in 2016-17 and their staffing in 2017-18 as well as the economic and merit adjustments and increase in the employee benefit rate mentioned above.
- Spending in the Actuarial Valuation and Advisory Services increased by 6.9% in 2015-16 with the filling of approved vacant positions and new positions to address incremental work related to actuarial valuations. Spending is planned to increase by 8.1% in 2017-18 mainly due to the economic and merit adjustments and increase in the employee benefit rate mentioned above, as well as the staffing of vacant positions.
- Spending in Internal Services is forecast to increase by 8.8% in 2016-17 due to non-recurring investments in office accommodations and information technology, as well as a temporary increase in staff to support projects or various short-term initiatives. Spending in 2017-18 onwards is planned to remain relatively stable.

## Planned human resources

### Human resources planning summary for Programs and Internal Services (full-time equivalents)

| Programs and Internal Services | 2014–15 Full-time equivalents | 2015–16 Full-time equivalents | 2016–17 Forecast full-time equivalents | 2017–18 Planned full-time equivalents | 2018–19 Planned full-time equivalents | 2019–20 Planned full-time equivalents |
|---|---|---|---|---|---|---|
| 1.1 Regulation and Supervision of Federally Regulated Financial Institutions | 428 | 418 | 420 | 421 | 421 | 424 |
| 1.2 Regulation and Supervision of Federally Regulated Private Pension Plans | 26 | 26 | 26 | 25 | 25 | 25 |
| **Subtotal** | 454 | 444 | 446 | 446 | 446 | 449 |
| 2.1 Actuarial Valuation and Advisory Services | 32 | 33 | 34 | 36 | 36 | 36 |
| **Subtotal** | 32 | 33 | 34 | 36 | 36 | 36 |
| **Internal Services Subtotal** | 201 | 189 | 200 | 193 | 192 | 194 |
| **Total** | 687 | 666 | 680 | 675 | 674 | 679 |

OSFI's full-time equivalents (FTE) are planned to remain stable over the planning horizon. The decrease of 21 FTEs in 2015-16 was due to a higher number of vacant positions in the Regulation and Supervision of Federally Regulated Financial Institutions and Internal Services programs. Total FTEs are forecast to increase by 14 in 2016-17, mainly in the Internal Services program due to staffing of vacant positions, and are planned to remain largely stable thereafter.

## Estimates by vote

For information on OSFI's organizational appropriations, consult the 2017–18 Main Estimates.[ii]

## Future-Oriented Condensed Statement of Operations

The Future-Oriented Condensed Statement of Operations provides a general overview of OSFI's operations. The forecast of financial information on expenses and revenues is prepared on an accrual accounting basis to strengthen accountability and to improve transparency and financial management.

Because the Future-Oriented Condensed Statement of Operations is prepared on an accrual accounting basis, and the forecast and planned spending amounts presented in other sections of the Departmental Plan are prepared on an expenditure basis, amounts may differ.

A more detailed Future-Oriented Statement of Operations and associated notes, including a reconciliation of the net cost of operations to the requested authorities, are available on the OSFI's website[iii].

### Future-Oriented Condensed Statement of Operations for the year ended March 31, 2018 (dollars)

| Financial information | 2016–17 Forecast results | 2017–18 Planned results | Difference (2017–18 Planned results minus 2016–17 Forecast results) |
|---|---|---|---|
| Total expenses | 150,661,552 | 155,000,000 | 4,338,448 |
| Total revenues | 149,716,494 | 154,054,942 | 4,338,448 |
| Net cost of operations before government funding and transfers | 945,058 | 945,058 | 0 |

OSFI matches its revenues to its costs. The difference between the figures presented in the table above and the planned spending amounts provided in other sections of the Departmental Plan is due to a different basis of accounting and relates to non-respendable revenues, amortization of capital and intangible assets, and severance and sick leave liability adjustments.

# Supplementary information

## Corporate information

### Organizational profile

**Appropriate minister:** William Francis Morneau

**Superintendent:** Jeremy Rudin

**Ministerial portfolio:** Finance

**Enabling instrument(s):** Office of the Superintendent of Financial Institutions Act (OSFI Act)[iv]

**Year of incorporation / commencement:** 1987

### Reporting framework

OSFI's Strategic Outcome[s] and Program Alignment Architecture (PAA) of record for 2017–18 are shown below:

**1. Strategic Outcome:** A safe and sound Canadian financial system

- **1.1 Program:** Regulation and Supervision of Federally Regulated Financial Institutions
  - **1.1.1 Sub-Program:** Risk Assessment and Intervention
  - **1.1.2 Sub-Program:** Regulation and Guidance
  - **1.1.3 Sub-Program:** Approvals and Precedents
- **1.2 Program:** Regulation and Supervision of Federally Regulated Private Pension Plans

**2. Strategic Outcome:** A financially sound and sustainable Canadian public retirement income system

- **2.1 Program:** Actuarial Valuation and Advisory Services
  - **2.1.1 Sub-Program:** Services to the Canada Pension Plan and Old Age Security Programs
  - **2.1.2 Sub-Program:** Services to Public Sector Pension and Insurance Programs
  - **2.1.3 Sub-Program:** Services to the Canada Student Loans and Employment Insurance Programs

**Internal Services**

## Supplementary information table

The following supplementary information table is available on OSFI's website[v].

- Upcoming internal audits for the coming fiscal year

## Federal tax expenditures

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures each year in the Report on Federal Tax Expenditures.[vi] This report also provides detailed background information on tax expenditures, including descriptions, objectives, historical information and references to related federal spending programs. The tax measures presented in this report are the responsibility of the Minister of Finance.

## Organizational contact information

Office of the Superintendent of Financial Institutions
255 Albert Street
Ottawa, Ontario K1A 0H2

Phone: 1-800-385-8647
Fax: 1-613-952-8219
E-mail: webmaster@osfi-bsif.gc.ca
Web: http://www.osfi-bsif.gc.ca/Eng/Pages/default.aspx

# Appendix A: definitions

**appropriation (crédit)**

Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

**budgetary expenditures (dépenses budgétaires)**

Operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

**Core Responsibility (responsabilité essentielle)**

An enduring function or role performed by a department. The intentions of the department with respect to a Core Responsibility are reflected in one or more related Departmental Results that the department seeks to contribute to or influence.

**Departmental Plan (Plan ministériel)**

Provides information on the plans and expected performance of appropriated departments over a three-year period. Departmental Plans are tabled in Parliament each spring.

**Departmental Result (résultat ministériel)**

A Departmental Result represents the change or changes that the department seeks to influence. A Departmental Result is often outside departments' immediate control, but it should be influenced by program-level outcomes.

**Departmental Result Indicator (indicateur de résultat ministériel)**

A factor or variable that provides a valid and reliable means to measure or describe progress on a Departmental Result.

**Departmental Results Framework (cadre ministériel des résultats)**

Consists of the department's Core Responsibilities, Departmental Results and Departmental Result Indicators.

**Departmental Results Report (Rapport sur les résultats ministériels)**

Provides information on the actual accomplishments against the plans, priorities and expected results set out in the corresponding Departmental Plan.

**full-time equivalent (équivalent temps plein)**

A measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

**government-wide priorities (priorités pangouvernementales)**

For the purpose of the 2017–18 Departmental Plan, government-wide priorities refers to those high-level themes outlining the government's agenda in the 2015 Speech from the Throne, namely: Growth for the Middle Class; Open and Transparent Government; A Clean Environment and a Strong Economy; Diversity is Canada's Strength; and Security and Opportunity.

**horizontal initiatives (initiative horizontale)**

A horizontal initiative is one in which two or more federal organizations, through an approved funding agreement, work toward achieving clearly defined shared outcomes, and which has been designated (e.g. by Cabinet, a central agency, etc.) as a horizontal initiative for managing and reporting purposes.

**Management, Resources and Results Structure (Structure de la gestion, des ressources et des résultats)**

A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

**non-budgetary expenditures (dépenses non budgétaires)**

Net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

**performance (rendement)**

What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve, and how well lessons learned have been identified.

**Performance indicator (indicateur de rendement)**

A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

**Performance reporting (production de rapports sur le rendement)**

The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

**planned spending (dépenses prévues)**

For Departmental Plans and Departmental Results Reports, planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their Departmental Plans and Departmental Results Reports.

**plans (plan)**

The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

**Priorities (priorité)**

Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

**program (programme)**

A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

**Program Alignment Architecture (architecture d'alignement des programmes)**

A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

**results (résultat)**

An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

**statutory expenditures (dépenses législatives)**

Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

**Strategic Outcome (résultat stratégique)**

A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

**sunset program (programme temporisé)**

A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

**target (cible)**

A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

**voted expenditures (dépenses votées)**

Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

# Endnotes

i. The Minister's mandate letter, http://pm.gc.ca/eng/mandate-letters
ii. 2017–18 Main Estimates, http://www.tbs-sct.gc.ca/hgw-cgf/finances/pgs-pdg/gepme-pdgbpd/index-eng.asp
iii Future-Oriented Financial Statements, http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/rpp/Pages/default.aspx
iv. Office of the Superintendent of Financial Institutions Act, http://laws-lois.justice.gc.ca/eng/acts/O-2.7/
v OSFI's Departmental Plan, http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/rpp/Pages/default.aspx
vi. Report on Federal Tax Expenditures, http://www.fin.gc.ca/purl/taxexp-eng.asp